

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.201: Rulings and determination letters.
(Also Part I, Sections 832, 846; 1.832-4, 1.846-1.)

Rev. Proc. 2008-71

SECTION 1. PURPOSE

This revenue procedure prescribes the salvage discount factors for the 2008 accident year. These factors must be used to compute discounted estimated salvage recoverable under § 832 of the Internal Revenue Code.

SECTION 2. BACKGROUND

Section 832(b)(5)(A) requires that all estimated salvage recoverable (including that which cannot be treated as an asset for state accounting purposes) be taken into account in computing the deduction for losses incurred. Under § 832(b)(5)(A), paid losses are to be reduced by salvage and reinsurance recovered during the taxable year. This amount is adjusted to reflect changes in discounted unpaid losses on nonlife insurance contracts and in unpaid losses on life insurance

contracts. An adjustment is then made to reflect any changes in discounted estimated salvage recoverable and in reinsurance recoverable.

Pursuant to § 832(b), the amount of estimated salvage is determined on a discounted basis in accordance with procedures established by the Secretary.

SECTION. 3. SCOPE

This revenue procedure applies to any taxpayer that is required to discount estimated salvage recoverable under § 832.

SECTION 4. APPLICATION

.01 The following tables present separately for each line of business the discount factors under § 832 for the 2008 accident year. All the discount factors presented in this section were determined using the applicable interest rate under § 846(c) for 2008, which is 4.06 percent, and by assuming all estimated salvage is recovered in the middle of each calendar year. See Rev. Proc. 2008-11, 2008-3 I.R.B. 439, for background regarding the tables.

.02 These tables must be used by taxpayers irrespective of whether they elected to discount unpaid losses using their own historical experience under § 846.

.03 Section V of Notice 88-100, 1988-2 C.B. 439, provides a composite discount factor to be used in determining the discounted unpaid losses for accident years that are not separately reported on the NAIC Annual Statement. The tables separately provide discount factors for taxpayers who elect to use the composite method. Rev. Proc. 2002-74, 2002-2 C.B. 980, clarifies that for certain insurance companies subject to tax under § 831 the composite method for discounting unpaid losses set forth in Notice 88-100, section V, 1988-2 C.B. 439, is permitted but not required. This revenue procedure further provides alternative methods for computing discounted unpaid losses that are permitted for insurance companies not using the composite

method, and sets forth a procedure for insurance companies to obtain automatic consent of the Commissioner to change to one of the methods described in Rev. Proc. 2002-74.

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**Tables of Factors to be Used to Discount
Salvage Recoverable With Respect to Losses Incurred in
Accident Year 2008**

(Interest rate: 4.06 percent)

Accident and Health (Other Than Disability Income or Credit Disability Insurance)

Taxpayers that do not use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable with respect to losses incurred in this line of business in the 2008 accident year as of the end of the 2008 and later taxable years.

Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount all salvage recoverable in this line of business as of the end of the 2008 taxable year.

Auto Physical Damage

Tax Year	Discount Factors (%)
2008	97.2331
2009	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2010 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount



salvage recoverable as of the end of the 2010
taxable year with respect to losses incurred in this
line of business in 2008 and prior years.



Commercial Auto/Truck Liability/Medical

Tax Year	Discount Factors (%)
2008	92.3526
2009	92.2970
2010	92.6408
2011	92.9897
2012	93.7281
2013	93.5170
2014	91.9508
2015	92.8642
2016	96.2378
2017	98.0298

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.



Composite

Tax Year	Discount Factors (%)
2008	92.3690
2009	92.1172
2010	91.9402
2011	91.7659
2012	91.1438
2013	90.2174
2014	91.0647
2015	92.4105
2016	94.4361
2017	96.2605

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 96.8444 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.



Fidelity/Surety

Tax Year	Discount Factors (%)
2008	93.6954
2009	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2010 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2010 taxable year with respect to losses incurred in this line of business in 2008 and prior years.



Financial Guaranty/Mortgage Guaranty

Tax Year	Discount Factors (%)
2008	94.7421
2009	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2010 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2010 taxable year with respect to losses incurred in this line of business in 2008 and prior years.



International (Composite)

Tax Year	Discount Factors (%)
2008	92.3690
2009	92.1172
2010	91.9402
2011	91.7659
2012	91.1438
2013	90.2174
2014	91.0647
2015	92.4105
2016	94.4361
2017	96.2605

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 96.8444 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Medical Malpractice -- Claims-Made

Tax Year	Discount Factors (%)
2008	92.6642
2009	93.7424
2010	92.1505
2011	92.7778
2012	92.0831
2013	87.6889
2014	84.3189
2015	90.2868
2016	96.4445
2017	98.0298

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Medical Malpractice -- Occurrence

Tax Year	Discount Factors (%)
2008	85.5177
2009	89.9300
2010	92.2898
2011	84.2693
2012	94.7905
2013	91.4234
2014	93.0145
2015	95.8751
2016	97.0989
2017	98.0298

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Miscellaneous Casualty

Tax Year	Discount Factors (%)
2008	96.5837
2009	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2010 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2010 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Multiple Peril Lines (Homeowners/Farmowners, Commercial Multiple Peril, and Special Liability (Ocean Marine, Aircraft (All Perils), Boiler and Machinery))

Tax Year	Discount Factors (%)
2008	93.0068
2009	92.3990
2010	92.3201
2011	92.2569
2012	91.4462
2013	89.8725
2014	91.0239
2015	93.4483
2016	94.8485
2017	96.6142

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Other (Including Credit)

Tax Year	Discount Factors (%)
2008	95.6448
2009	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2010 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2010 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Other Liability -- Claims-Made

	Discount
Tax Year	Factors (%)
2008	88.4208
2009	89.5374
2010	87.6521
2011	90.8781
2012	92.3590
2013	94.2379
2014	93.1673
2015	91.7716
2016	97.3613
2017	98.0298

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0675 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Other Liability -- Occurrence

	Discount
Tax Year	Factors (%)
2008	87.1236
2009	88.1600
2010	90.4878
2011	91.2470
2012	90.6851
2013	90.8000
2014	90.2668
2015	93.0020
2016	95.7619
2017	97.5722

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Private Passenger Auto Liability/Medical

	Discount
Tax Year	Factors (%)
2008	94.5329
2009	94.5579
2010	94.3102
2011	93.4459
2012	92.8620
2013	92.0891
2014	92.9858
2015	94.5440
2016	94.6149
2017	96.4088

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Products Liability -- Claims-Made

Tax Year	Discount Factors (%)
2008	88.9426
2009	51.3741
2010	53.7803
2011	90.7115
2012	80.1341
2013	91.4320
2014	59.5121
2015	90.5055
2016	91.6367
2017	92.7680

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018	94.5598
2019	96.3623
2020 and later years	98.0298

Taxpayers that use the composite method of Notice 88-100 should use 95.2929 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Products Liability -- Occurrence

Tax Year	Discount Factors (%)
2008	87.6369
2009	89.7198
2010	91.6030
2011	92.4224
2012	92.8704
2013	90.4185
2014	91.0511
2015	94.0066
2016	94.2757
2017	96.1335

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 95.9730 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Reinsurance -- Nonproportional Assumed Property

Tax Year	Discount Factors (%)
2008	91.0976
2009	92.7443
2010	95.6984
2011	80.1417
2012	89.8643
2013	81.5378
2014	51.4095
2015	92.8399
2016	73.3181
2017	88.1043

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018	89.8547
2019	91.6751
2020	93.5877
2021	95.6459
2022 and later years	98.0298

Taxpayers that use the composite method of Notice 88-100 should use 90.7540 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Reinsurance -- Nonproportional Assumed Liability

Tax Year	Discount Factors (%)
2008	86.7636
2009	90.0422
2010	91.4998
2011	88.6312
2012	90.7036
2013	91.5709
2014	91.4636
2015	93.2257
2016	95.1632
2017	96.9140

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 94.8390 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Reinsurance -- Nonproportional Assumed Financial Lines

Tax Year	Discount Factors (%)
2008	87.1652
2009	85.9016
2010	89.9069
2011	78.5011
2012	90.2511
2013	80.2802
2014	90.4154
2015	90.8197
2016	97.5152
2017	98.0298

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Burglary and Theft)

Tax Year	Discount Factors (%)
2008	94.8844
2009	96.1174

Taxpayers that do not use the composite method of Notice 88-100 should use the following factor to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2010 and later years	98.0298
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Taxpayers that use the composite method of Notice 88-100 should use 98.0298 percent to discount salvage recoverable as of the end of the 2010 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

Workers' Compensation

Tax Year	Discount Factors (%)
2008	88.3785
2009	90.4189
2010	91.2195
2011	91.1364
2012	89.6372
2013	88.2223
2014	88.8169
2015	88.5309
2016	90.7105
2017	92.4766

Taxpayers that do not use the composite method of Notice 88-100 should use the following factors to discount salvage recoverable as of the end of the tax year shown with respect to losses incurred in this line of business in the 2008 accident year.

2018	94.2879
2019	96.1430
2020 and later years	98.0298

Taxpayers that use the composite method of Notice 88-100 should use 95.7028 percent to discount salvage recoverable as of the end of the 2018 taxable year with respect to losses incurred in this line of business in 2008 and prior years.

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The principal author of this revenue procedure is Katherine A. Hossofsky of the Office of the Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact Ms. Hossofsky at (202)622-8435 (not a toll free call).